

IRON COUNTY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2006

IRON COUNTY SCHOOL DISTRICT

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FINANCIAL SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

Independent Auditor's Report

Board of Education
Iron County School District
Cedar City, UT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Iron County School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Iron County School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

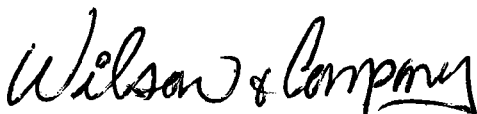
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Iron County School District as of June 30, 2006, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2006 on our consideration of Iron County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iron County School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Iron County School District. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
November 14, 2006

Management's Discussion and Analysis

This section of Iron School District's (District) comprehensive annual financial report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2006. This report is in conjunction with the District's financial statements.

Financial Highlights

- The District's assets (net of depreciation) exceeded liabilities by \$31,670,228 at the close of the most recent fiscal year.
- During the year, expenses were \$15.2 million more than the \$58.2 million generated in taxes and other revenues for governmental activities. The additional expenses were for construction of new school buildings. The district issued \$23.5 million dollars in general obligation bonds to cover the construction of new school buildings. The revenues met or exceeded the adopted budgeted amounts, and the expenditures were less than the adopted budgeted amounts.
- Property tax revenues increased as a result of increases in taxable value of property and the receipt of additional motor vehicle fees. The district slightly increased the debt service tax rate due to the new issuance of bonds. All other tax rates in the district actually decreased from the prior year.
- At the close of the current year, the District governmental funds reported combined ending fund balances of \$24.3 million as compared with \$15.7 million at the end of last year.
- The District's total debt increased by \$18.7 million during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Refer to the table of contents for the location of the government-wide financial statements.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, each of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses an agency fund to account for resources held for student activities and groups. Refer to the table of contents for the location of the basic fiduciary fund financial statements.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements. Refer to the table of contents for the location of the notes to the financial statements.

Other information. The combining statements referred to earlier in connection with non major governmental funds are presented immediately following the notes to the financial statements. Refer to the table of contents for the location of combining and individual fund statements and schedules.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$24,018,976 at the close of the most recent fiscal year.

IRON SCHOOL DISTRICT'S Net Assets

	<u>Governmental</u> <u>Activities</u> <u>2006</u>	<u>Governmental</u> <u>Activities</u> <u>2005</u>	<u>Total</u> <u>Change</u> <u>2006-2005</u>
Current and other assets	\$48,404,387	\$38,495,128	\$ 9,909,259
Capital assets	<u>74,677,234</u>	<u>58,252,103</u>	<u>16,425,131</u>
Total assets	<u>123,081,621</u>	<u>96,747,231</u>	<u>26,334,390</u>
Current and other liabilities	24,557,392	24,878,892	(321,500)
Long-term liabilities outstanding	<u>66,854,001</u>	<u>47,849,363</u>	<u>19,004,638</u>
Total Liabilities	<u>91,411,393</u>	<u>72,728,255</u>	<u>18,683,138</u>
Net assets:			
Invested in capital assets, net of related debt	8,502,234	10,402,740	(1,900,506)
Restricted	11,055,244	9,039,685	2,015,559
Unrestricted	<u>12,112,750</u>	<u>4,576,551</u>	<u>7,536,199</u>
Total net assets	<u>\$31,670,228</u>	<u>\$24,018,976</u>	<u>\$7,651,252</u>

- 27% of the District's net assets reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment net of accumulated depreciation), less any related debt (general obligation bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- A portion of the District's net assets (35%) represents resources that are subject to external restrictions on how they may be used.
- The remaining balance of unrestricted net assets (38%) may be used to meet the District's obligations to students, employees, and creditors, and to honor next year's budget.

At the end of the current fiscal year, the district is able to report positive balances in all three categories of net assets.

Governmental funds. Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. The \$15.7 million fund balance of the general fund is primarily designated for the following purposes:

- *Designation for undistributed reserve* of \$1.2 million or 2.6% of general fund budgeted expenditures. As allowed by state law, the District has established an undistributed reserve within the general fund; this amount is set aside for contingencies or possible reductions in state funding and is not to be used in the negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in establishing the District's bond rating.
- *Designation for state categorical program balances.* The district has designated a portion of the general fund's unreserved fund balance for state categorical programs (\$1.1 million) with fund balances at the end of this fiscal year that must be appropriated in the next fiscal year.
- *Designation for special projects.* The district has designated a portion of the general fund's unreserved fund balance for special instructional projects (\$3.6 million) supporting the education process of the students and staff, including such things as technology, staff development, curriculum alignment, and additional textbooks and supplies.

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$943 thousand or 1.9% in total general fund expenditures. The most significant differences may be summarized as follows:

- \$586 thousand increase in instructional services, to reflect personnel adjustments, an increase in contracted services, and an increase for purchasing instructional supplies and equipment.
- \$117 thousand increase in supporting services-students to reflect personnel adjustments and increases in contracted services.
- \$127 thousand decrease in supporting services-school administration, to reflect personnel adjustments for salaries and benefits, and decreases in contracted services.
- \$212 thousand increase in supporting services-operation and maintenance of facilities, to reflect personnel adjustments, increases in supply costs, and increased energy costs.
- \$77 thousand increase in supporting services-student transportation, to reflect personnel adjustments and increases in motor fuel costs.

During the year, final budgeted revenues exceeded original budgetary estimates by \$1.4 million to account for increases in federal and state aid.

Even with these adjustments, actual expenditures were \$536 thousand below final budgeted amounts. The most significant positive variances were \$434 thousand in supporting services-students, \$66 thousand in supporting services-operation and maintenance of facilities and \$25 thousand in supporting services-student transportation. On the other hand, resources available for appropriation were \$262 thousand above the final budgeted amount. Variances primarily result from expenditure-driven federal and state grants that are included in the budget. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget.

Capital Asset and Debt Administration

Capital Assets. The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets at June 30, 2006 is outlined below:

IRON SCHOOL DISTRICT Capital Assets (net of accumulated depreciation)

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>	<u>Total Change 2006-2005</u>
Land	\$4,421,468	\$4,421,468	\$0
Buildings and improvements	67,444,603	51,161,004	16,283,599
Furniture and equipment	<u>2,811,163</u>	<u>2,669,631</u>	<u>141,532</u>
Total capital assets	<u>\$74,677,234</u>	<u>\$58,252,103</u>	<u>16,425,131</u>

Additional information on the District's capital assets can be found in the notes to the basic financial statements.

Debt Administration. At the end of the current year, the District had total bonded debt outstanding of \$66.2 million. The entire debt is general obligation debt.

IRON SCHOOL DISTRICT Outstanding Debt (in millions of dollars)

	<u>Governmental activities 2006</u>	<u>2005</u>	<u>Total Change 2006-2005</u>
General Obligation Bonds	\$66.2	\$ 47.5	\$18.7

The general obligation bonded debt of the District is limited by state law to four percent of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2006 is \$124,254,215. General obligation debt at June 30, 2006 is \$66,175,000, resulting in a legal debt margin of \$58,079,215.

Although it is not unusual at the national level to have a 30-year bond payoff schedule, the district maintains an aggressive schedule paying off debt by 2020.

Additional information on the District's long-term debt can be found in the notes to the basic financial statements.

Changing Enrollment within the District

The District has had a steady growth averaging 3% per year for the past ten years. This growth is made up of two components. The components are in-migration of students and the kindergarten to grade twelve (K-12) differential. The K-12 differential is the size of the grade twelve leaving, and the size of the kindergarten grade entering the District in a given year. District growth occurs when the number of kindergarten students entering the system exceeds the grade twelve students leaving the system in a given fiscal year.

The current comparison of grade twelve to the projected incoming kindergarten for the next few years indicates a growth of approximately 100-150 students per year. The District continues to see some in-migration due to its proximity to Southern Nevada and Southern California. There is a general trend of people leaving those areas and re-locating in our District. The District has experienced a growth rate of approximately 4% and 6% for the past two years.

With the higher enrollment increases in the past two years and an enrollment increase of over 4% this coming year, the District has built two new elementary schools, a pre-school, and an addition to one of our middle schools. With the additional buildings and with grade configuration changes, we anticipate meeting our building needs for the next few years. We seem to be an area that has been "discovered" and there is a lot of real estate development happening. Should our growth rate increase significantly in the future we will need additional elementary buildings at an earlier date. We are prepared to bring portable units on campuses in order to delay additional bonding until absolutely necessary.

Requests for Information

This financial report is designed to provide a general overview of the Iron School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Iron School District, 2077 West Royal Hunte Drive, Cedar City, UT 84720.

BASIC FINANCIAL STATEMENTS

IRON COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 27,752,490
Receivables:	
Property taxes	15,172,606
Other governments - SWATC	1,108,927
Other	4,095,692
Inventories	274,672
Capital assets:	
Land	4,421,468
Other capital assets, net of depreciation	70,255,766
Total assets	<u>123,081,621</u>
Liabilities:	
Cash with Negative Balances	3,911,493
Accounts payable	3,213,818
Accrued salaries	2,083,088
Compensated absences payable	1,558,493
Deferred revenue:	
Property taxes	13,790,500
Noncurrent liabilities:	
Due within one year	4,915,000
Unamortized bond premium	679,001
Due in more than one year	61,260,000
Total liabilities	<u>91,411,393</u>
Net Assets:	
Invested in capital assets, net of related debt	8,502,234
Restricted for:	
Special transportation	379,247
Tort liability	330,958
Non K12 grant related purposes	230,060
Other grant related purposes	1,139,611
Capital projects	6,486,376
Debt service	2,488,992
Unrestricted	12,112,750
Total net assets	<u>\$ 31,670,228</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2006

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Instructional services	\$ 31,840,117	\$ 568,094	\$ 13,320,146	\$ 360,856	\$ (17,591,021)
Supporting services:					
Students	1,545,469		537,594		(1,007,875)
Instructional staff	1,579,453		549,415		(1,030,038)
District administration	382,083		132,908		(249,175)
School administration	2,552,776		887,987		(1,664,789)
Business	1,075,862		374,240		(701,622)
Operation and maintenance of facilities	4,783,277		1,663,870		(3,119,407)
Transportation	2,286,677	15,121	2,037,681		(233,875)
Community Services	401,088	148,117	139,519		(113,452)
School lunch services	2,241,719	792,485	2,327,470		878,236
Transfers to other school agencies	275,019				(275,019)
Interest and fiscal charges	1,651,761				(1,651,761)
	<u>\$ 50,615,301</u>	<u>\$ 1,523,817</u>	<u>\$ 21,970,830</u>	<u>\$ 360,856</u>	<u>(26,759,798)</u>
General revenues:					
Property taxes levied for:					
General purposes					7,240,860
Transportation					476,018
Tort Liability					32,821
Recreation					553,375
Debt service					8,670,278
Capital outlay					2,139,620
Federal and state aid not restricted to specific purposes					13,363,416
Earnings on investments					1,379,272
Miscellaneous					555,390
Total general revenues					34,411,050
Change in net assets					7,651,252
Net assets - beginning					24,018,976
Net assets - ending					<u>\$ 31,670,228</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

IRON COUNTY SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2006

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 14,044,150	\$ 1,958,340	\$ 10,959,863	\$ 790,137	\$ 27,752,490
Inventories	216,711		-	57,961	274,672
Property taxes receivable	474,309	530,652	343,276	33,869	1,382,106
Receivables-other	3,575,762			519,930	4,095,692
Total assets	<u>\$ 18,310,932</u>	<u>\$ 2,488,992</u>	<u>\$ 11,303,139</u>	<u>\$ 1,401,897</u>	<u>\$ 33,504,960</u>
Liabilities and fund balances:					
Liabilities:					
Cash with Negative Balances	\$ 3,911,493	\$ -	\$ -	\$ -	\$ 3,911,493
Accounts payable	834,077	-	2,338,874	40,867	3,213,818
Accrued salaries	1,954,209	-	4,089	124,790	2,083,088
Total Liabilities	<u>6,699,779</u>	<u>-</u>	<u>2,342,963</u>	<u>165,657</u>	<u>9,208,399</u>
Fund Balances:					
Reserved for:					
Designated	7,545,815		8,828,232	230,060	16,604,107
Debt service	-	2,488,992			2,488,992
Unreserved:					
Designated for:					
Undistributed reserve	1,200,000		131,944		1,331,944
Inventories	216,711			70,529	287,240
Undesignated, reported in:					
General fund	2,648,627				2,648,627
Capital projects fund	-			935,651	935,651
Total fund balances	<u>11,611,153</u>	<u>2,488,992</u>	<u>8,960,176</u>	<u>1,236,240</u>	<u>24,296,561</u>
Total liabilities and fund balances	<u>\$ 18,310,932</u>	<u>\$ 2,488,992</u>	<u>\$ 11,303,139</u>	<u>\$ 1,401,897</u>	<u>\$ 33,504,960</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 24,296,561
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$94,913,181 and the accumulated depreciation is \$20,235,947.	74,677,234
Long-Term Receivable under a capital financing lease with SWATC	1,108,927
Compensated absences payable	(1,558,493)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(66,854,001)</u>
Total net assets - governmental activities	<u>\$ 31,670,228</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 7,749,699	\$ 8,670,278	\$ 2,340,973	\$ 553,374	\$ 19,314,324
Earnings on investments	555,288	44,260	737,063	2,310	1,338,921
Other local sources	460,065		45,882	1,178,365	1,684,312
State aid	28,679,117		485,856	846,624	30,011,597
Federal aid	4,244,418		-	1,563,340	5,807,758
Total revenues	41,688,587	8,714,538	3,609,774	4,144,013	58,156,912
Expenditures:					
Current:					
Instructional services	26,893,391			1,420,652	28,314,043
Supporting services:					
Students	1,546,420				1,546,420
Instructional staff	1,578,206				1,578,206
District administration	381,214				381,214
School administration	2,552,776				2,552,776
Business	895,508	103,217			998,725
Operation and maintenance of facilities	4,604,400				4,604,400
Transportation	1,980,537				1,980,537
Community Services				401,088	401,088
School lunch services				2,232,792	2,232,792
Capital outlay			21,226,876		21,226,876
Debt service:					
Principal retirement		4,775,000			4,775,000
Interest and fiscal charges		2,730,483			2,730,483
Total expenditures	40,432,452	7,608,700	21,226,876	4,054,532	73,322,560
Excess (deficiency) of revenues over (under) expenditures	1,256,135	1,105,838	(17,617,102)	89,481	(15,165,648)
Other financing sources (uses):					
Bond proceeds			23,500,000		23,500,000
Bond premium			351,529	-	351,529
Transfers to Other Agencies	(275,019)				(275,019)
Sale of capital assets			203,556		203,556
Total other financing sources (uses)	(275,019)	-	24,055,085	-	23,780,066
Net change in fund balances	981,116	1,105,838	6,437,983	89,481	8,614,418
Fund balances - beginning	10,630,037	1,383,154	2,522,193	1,146,759	15,682,143
Fund balances - ending	\$ 11,611,153	\$ 2,488,992	\$ 8,960,176	\$ 1,236,240	\$ 24,296,561

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds \$ 8,614,418

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 18,804,553	
Depreciation expense	<u>(2,379,422)</u>	
		16,425,131

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Bond premium	(351,529)	
General obligation refunding bond proceeds	(23,500,000)	
Bond premium amortization	71,891	
Repayment of bond principal	4,775,000	
Accrued Interest - general obligation bonds	<u>1,006,831</u>	
		(17,997,807)

Long-term capital lease payment received from the Southwest Applied Technology College recorded as revenue as payments are received.

Repayment of lease principal	(130,000)	
Interest revenue	<u>36,085</u>	
		(93,915)

Capital lease obligations paid

Compensated absences payable 703,425

Change in net assets of governmental activities \$ 7,651,252

IRON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 7,254,926	\$ 7,749,699	\$ 7,749,699	\$ -
Earnings on investments	200,000	555,252	555,288	36
Other local sources	240,000	431,265	460,065	28,800
State aid	28,621,404	28,705,928	28,679,117	(26,811)
Federal aid	3,701,363	3,984,238	4,244,418	260,180
Total revenues	40,017,693	41,426,382	41,688,587	262,205
Expenditures:				
Current:				
Instructional services	26,740,848	27,327,547	26,893,391	434,156
Supporting services:				
Students	1,389,714	1,506,769	1,546,420	(39,651)
Instructional staff	1,562,683	1,583,537	1,578,206	5,331
District administration	392,587	383,514	381,214	2,300
School administration	2,710,438	2,583,704	2,552,776	30,928
Business	842,793	907,495	895,508	11,987
Operation and maintenance of facilities	4,458,087	4,670,561	4,604,400	66,161
Transportation	1,928,454	2,005,773	1,980,537	25,236
Total expenditures	40,025,604	40,968,900	40,432,452	536,448
Excess of revenues over expenditures	(7,911)	457,482	1,256,135	798,653
Other financing sources (uses):				
Transfers to Other Agencies	-	(775,000)	(275,019)	499,981
Net change in fund balances	(7,911)	(317,518)	981,116	1,298,634
Fund balances - beginning	10,630,037	10,630,037	10,630,037	-
Fund balances - ending	\$ 10,622,126	\$ 10,312,519	\$ 11,611,153	\$ 1,298,634

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2006

	<u>Student Activities Fund</u>
Assets:	
Cash and investments	\$ 437,359
Liabilities	
Due to student groups	\$ 437,359
Total liabilities	<u>\$ 437,359</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Iron County School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting Entity – The Board of Education is the primary governing authority for the District. In accordance with GAAP, the District has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause financial statements of the District to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria are included in Governmental Accounting Standards Board Statement No. 14 and include appointing a voting majority of an organization's governing body and the ability of the District to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

Based upon the criteria established by Governmental Accounting Standards Board Statement No. 14, no component units were deemed to exist at June 30, 2006 and no component unit information is included in this report. The District is not a component unit of any other primary government.

Government-wide and fund financial statements – The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement focus, basis of accounting, and financial statement presentation – The government-wide financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to early retirement, and postemployment healthcare benefits, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *debt service fund* accounts for resources accumulated and payments of general obligation, bond principal and interest due annually.
- The *capital project funds* account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the District reports the following types of funds:

- The *student activities agency fund (a fiduciary fund)* accounts for assets held on behalf of student groups.

Amounts reported as *program revenues* include 1) charges to students for tuition, fees, rental, material, supplies, or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Data – Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted at the District level for the Student Activities Agency Fund. All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Minor interim adjustments in estimated revenue and appropriations during the fiscal year, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

An encumbrance accounting system, in which purchase orders for the expenditure of funds are recorded to restrict that portion of the applicable appropriation, is not used by the District. Appropriations outstanding at the end of the fiscal year lapse with the exception of those indicated as a fund balance reserve. The District intends to honor these commitments and provides for their expenditure in the subsequent year.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

Deposits and Investments – The District's cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Investments are reported at fair value. Changes in the fair value of investments are recorded as investment income. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

Receivables and Payables – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., current portion of interfund loans).

Inventories – Inventories are valued at cost, using the moving average method with the exception of the treatment of donated inventories described below. The consumption method of accounting is applied to the inventories of all funds.

Inventories of donated United States department of Agriculture (USDA) commodities on hand at year-end are reported on the balance sheet at fair market value on the date received as inventory. Commodities used during the year are reported as revenue and expenditure on the operating statement.

Capital Assets – Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extended its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Building and Improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements and portable classrooms	20
Maintenance Equipment	15
Vocational education equipment	15
Buses	10
Musical instruments	10
Furniture	10
Office equipment	10
Athletic equipment	8
Vehicles	8
Audio visual equipment	6
Computer equipment	3

Compensated absences – The District has the following policies regarding vacation and sick leave.

Vacation -

Vacations are available only to personnel who are on twelve month contracts and who work eight or more hours per day. Vacation time is earned on a fiscal year basis, July 1 through June 30.

Two weeks vacation time is earned annually up to and including the tenth year of service by the employee. After 10 years of service, three weeks vacation is earned annually.

District policies provide that vacation time cannot be taken faster than it is earned and will be calculated on a pro-rata basis relative to time worked.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Employees do not have the option of working for extra compensation in lieu of taking vacations. Earned vacation time, generally, must be taken by October 31 of each year. An employee may carry over a maximum of five unused days to the next year. With the exception of the five days carried over, vacation time earned and not taken prior to October 31 is forfeited by the employee.

Sick Leave -

Employees who work six hours or more per day will be entitled to semi-unlimited sick leave. The District considers sick leave to be semi-unlimited in that contracts will most likely not be renewed for persons with a terminal or serious illness.

Part-time employees who work less than six hours daily will receive ten days of sick leave annually. Sick leave is not accumulative.

Personnel absent from school because of personal illness will receive full pay for a limited period as approved by the Board of Education. Sick leave may last up to four months at which time the long-term disability plan will be implemented providing the employee qualifies for this benefit.

Compensated balances are those absences for which employees will be paid such as vacation and sick leave.

District policies do not allow for the accumulation by employees of significant amounts in either vacation or sick leave. Vacation and sick leave are charged to operations as they are incurred. As a result of District policies, no provision is made in the financial statements for unused leave which at any point in time would not be material.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums, discounts, and issuance costs, if material are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. If material, bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In the fund financial statements governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Comparative Data and Reclassifications – comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

NOTE 2: CASH AND INVESTMENTS

The District maintains a cash and investment pool, which includes the cash accounts and several investments.

The District's deposit and investment policy is to follow the Utah Money Management Act. However, the District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

Utah State law requires that District funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2: CASH AND INVESTMENTS - CONTINUED

As of June 30, 2006, the District had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit	\$ (749,355)
State Treasurer's investment pool	<u>24,590,352</u>
	<u>\$ 23,840,997</u>

The following paragraphs discuss the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, none of the District's bank balances were uninsured or uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial risk.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2: CASH AND INVESTMENTS - CONTINUED

organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the District's investments at June 30, 2006.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF	\$24,590,352	less than 1 year	not rated

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by solely investing in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the District's investments are noted above.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the District's portfolio at the time of purchase.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2: CASH AND INVESTMENTS - CONTINUED

As of year end, the District had no investments other than an investment in the Utah Public Treasurer's Investment Fund.

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ (749,355)
Utah State Treasurer's investment pool account	<u>24,590,352</u>
Total cash and investments	<u>\$ 23,840,997</u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 27,752,490
Negative cash balances	<u>(3,911,493)</u>
Total cash and investments	<u>\$ 23,840,997</u>

NOTE 3: PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Iron District Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The District assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the District auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the District Board of Equalization between August 1 and August 15 for a revision of the assessed value. The District auditor makes approved changes in assessed value by November 1 and on this same date the District auditor is to deliver the completed assessment rolls to the District treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of June 30, 2006, all property taxes receivable by the District are delinquent and represent taxes assessed but uncollected for calendar year 2004 and earlier. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the District treasurer may force sale of property to collect the delinquent

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3: PROPERTY TAXES - CONTINUED

portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Beginning January 1, 1992 there was levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. This uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10-\$150 based on the age of the vehicle. The revenue collected in each District from the uniform fee is distributed by the District to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes the age-based fee as revenue when the District collects it.

NOTE 4: CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 4,421,468			\$ 4,421,468
Construction in progress		17,932,690		17,932,690
Total capital assets, not being depreciated	4,421,468	17,932,690		22,354,158
Capital assets, being depreciated:				
Building and improvements	65,963,653			65,963,653
Furniture and equipment	6,244,833	350,537		6,595,370
Total capital assets, being depreciated	72,208,486	350,537		72,559,023
Accumulated depreciation for:				
Building and improvements	(14,802,649)	(1,649,091)		(16,451,740)
Furniture and equipment	(3,575,202)	(730,331)	521,326	(3,784,207)
Total accumulated depreciation	(18,377,851)	(2,379,422)	521,326	(20,235,947)
Total capital assets, being depreciated, net	53,830,635	(2,028,885)	521,326	52,323,076
Governmental activities capital assets, net	\$ 58,252,103	\$ 15,903,805	\$ 521,326	\$ 74,677,234

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4: CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	\$ 1,795,706
Instructional services	
Supporting services:	
District administration	1,247
Business	78,190
School Lunch Services	10,186
Operation and maintenance of facilities	184,674
Transportation	309,419
	<u><u>\$ 2,379,422</u></u>

NOTE 5: RETIREMENT PLANS

Plan Description. The Iron District School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5: RETIREMENT PLANS - CONTINUED

Funding Policy. Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the Iron District School District is required to contribute 8.89% of their annual covered salary. In the State and School Noncontributory Retirement System the Iron District School District is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Iron District School District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2006, 2005 and 2004 were \$17,936, \$18,838 and \$17,141 respectively and for the Noncontributory Retirement System the contributions for June 30, 2006, 2005, and 2004 were \$2,898,272, \$2,884,300 and \$2,542,416 respectively. The contributions were equal to the required contributions for each year.

NOTE 6. DEFERRED COMPENSATION PLANS

The District offers a deferred compensation plan to all its employees under a plan administered by the Utah State Retirement Office established in accordance with Internal Revenue Code Section 457. Employees are permitted to defer a portion of their salary until future years.

The assets and income of the 457 Plan are held in trust by the Utah State Retirement Office for the exclusive benefit of the participants or their beneficiaries and are not assets of the District.

NOTE 7. LONG-TERM DEBT:

The following table summarizes bond activity of the Iron District School District for the year ended June 30, 2006:

<u>Bond Issues</u>	<u>Date</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>
School Building Bonds	9/15/97	\$ 18,530,000	\$	\$ 160,000	\$ 18,370,000
School Building Bonds	6/15/98	6,475,000		2,125,000	4,350,000
School Refunding Bonds	4/15/03	2,900,000		2,015,000	885,000
School Refunding Bonds	3/4/04	19,545,000		180,000	19,365,000
School Refunding Bonds	9/14/05		23,500,000	295,000	23,205,000
Total		\$ 47,450,000	\$23,500,000	\$ 4,775,000	\$ 66,175,000

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7. LONG-TERM DEBT - CONTINUED

The annual requirements to retire outstanding bonds as of June 30, 2006, including interest payments are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Total</u> <u>Interest</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Debt Service</u>
2007	\$ 2,812,260	\$ 4,915,000	\$ 7,727,260
2008	2,592,414	5,140,000	7,732,414
2009	2,358,740	5,365,000	7,723,740
2010	2,149,289	5,585,000	7,734,289
2011	1,910,126	5,840,000	7,750,126
2012	1,644,900	6,100,000	7,744,900
2013	1,384,050	6,370,000	7,754,050
2014	1,104,926	6,645,000	7,749,926
2015	841,200	2,550,000	3,391,200
2016	739,200	2,655,000	3,394,200
2017	633,000	2,765,000	3,398,000
2018	522,400	2,875,000	3,397,400
2019	407,400	2,995,000	3,402,400
2020	287,600	3,115,000	3,402,600
2021	163,000	3,260,000	3,423,000
	<u>\$ 19,550,505</u>	<u>\$ 66,175,000</u>	<u>\$ 85,725,505</u>

The District's general long-term debt consists of the following:

\$19,215,000 Series 1997 School Building Bonds
payable in annual installments with interest of
3.80% to 5.75% paid semi-annually \$18,370,000

\$32,000,000 Series 1998 School Building Bonds
payable in annual installments with interest of
4% to 5% paid semi-annually 4,350,000

\$3,855,000 Series 2003 Refunding Bonds
payable in annual installments with interest
of 2% to 3% paid semi-annually 885,000

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7. LONG-TERM DEBT - CONTINUED

\$19,810,000 Series 2004 General Obligation Refunding Bonds payable in annual installments with interest of 2.5% to 4% paid semi-annually	19,365,000
\$23,500,000 Series 2005 General Obligation School Building Bonds payable in annual installments with interest of 3.5% to 5% paid semi-annually.	<u>23,205,000</u>
Total Bonds Payable	<u>\$ 66,175,000</u>

During the year, the District issued \$23,500,000 in Series 2005 General Obligation School Building Bonds for the purpose of constructing new schools within the District.

The bonds bear interest of 3.5% to 5% paid semi-annually with the final maturity of the bond being 2021.

During the fiscal year ended June 30, 2003, the District effected an advance refunding with General Obligation Refunding Bonds-Series 2003. These bonds were issued April 1, 2003. The transaction is considered to be an advanced refunding in that the proceeds of the new bonds have been placed in an irrevocable escrow controlled by the trust department of Wells Fargo Bank Northwest, N.A. These proceeds will be used to defease \$2,100,000 of General Obligation Bonds-Series 1993 and \$1,535,000 of General Obligation Bonds-Series 1994 previously issued by the District. The amounts placed in escrow have been invested in US Treasury state and local government series obligations.

The amounts placed in escrow will be sufficient to pay debt service on the refunded bonds with a payment of \$2,100,000 to be made on July 15, 2003 and \$1,535,000 on January 15, 2006 to pay off the outstanding balance of the Series 1993 and Series 1994 bonds as of that date. The present value of the amounts placed in escrow equal the present value of the remaining debt service on the refunded bonds.

The refunded bonds bear interest of 5.1% to 6% with the refunding bonds bearing interest of 2% to 3%. The net present value of the savings benefit is \$147,675.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7. LONG-TERM DEBT - CONTINUED

In accordance with generally accepted accounting principles concerning advanced refunding of bonds, the defeased portions of the Series 1993 and Series 1994 bonds as well as the irrevocable escrow are not reported by the District. The refunding bonds have been included in general long term debt.

During the fiscal year ended June 30, 2004, the District effected an advance refunding with the issuance of \$19,810,000 of Series 2004 General Obligation Refunding Bonds dated March 4, 2004. The transaction is considered to be an advanced refunding in that the proceeds of the new bonds have been placed in an irrevocable escrow controlled by the trust department of Wells Fargo Bank Northwest, N.A. These proceeds will be used to defease \$18,475,000 of the Series 1998 School Building Bonds previously issued by the District. The amounts placed in escrow have been invested in US Treasury state and local government series obligations.

The amounts placed in escrow will be sufficient to pay debt service on the refunded bonds with a payment of \$18,475,000 to be made on July 15, 2008. The present value of the amounts placed in escrow equal the present value of the remaining debt service on the refunded bonds.

The refunded bonds bear interest of 5% with the refunding bonds bearing interest of 2.5% to 4%. The net present value of the savings benefit is \$610,257.

In accordance with generally accepted accounting principles concerning advanced refunding of bonds, the defeased portion of the Series 1998 bonds as well as the irrevocable escrow are not reported by the District. The refunding bonds have been included in general long-term debt.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by the District's participation in the State Risk Management system for school districts. This is a pooled arrangement where the districts pay experienced rated annual premiums which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$350 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. Insurance coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

IRON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 9: GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

NOTE 10: DESIGNATED FOR UNDISTRIBUTED RESERVE

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the following fiscal year's total general fund budgeted revenues. The expenditure of the reserve requires a written resolution adopted by a majority vote of the Board filed with the Utah State Board of Education and State Auditor.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

IRON COUNTY SCHOOL DISTRICT
Comparative Balance Sheet
General Fund
Years Ended June 30, 2006 and 2005

	<u>2006</u> <u>General</u>	<u>2005</u> <u>General</u>
Assets:		
Cash and investments	\$ 14,044,150	\$ 13,661,578
Inventories	216,711	215,785
Property taxes receivable	474,309	533,914
Receivables-other	3,575,762	3,317,494
Total assets	<u>\$ 18,310,932</u>	<u>\$ 17,728,771</u>
Liabilities and fund balances:		
Liabilities:		
Cash with Negative Balances	\$ 3,911,493	\$ 4,567,994
Accounts payable	834,077	756,692
Accrued salaries	1,954,209	1,774,048
Total Liabilities	<u>6,699,779</u>	<u>7,098,734</u>
Fund Balances:		
Reserved for:		
Designated	7,545,815	6,881,178
Unreserved:		
Designated for:		
Undistributed reserve	1,200,000	1,200,000
Inventories	216,711	215,785
Undesignated, reported in:		
General fund	2,648,627	2,333,074
Total fund balances	<u>11,611,153</u>	<u>10,630,037</u>
Total liabilities and fund balances	<u>\$ 18,310,932</u>	<u>\$ 17,728,771</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Comparative Balance Sheet
Capital Projects Fund
Years Ended June 30, 2006 and 2005

	2006	2005
	General	General
Assets:		
Cash and investments	\$ 10,959,863	\$ 2,255,755
Property taxes receivable	343,276	145,578
Receivables-other	-	554,801
Total assets	<u>\$ 11,303,139</u>	<u>\$ 2,956,134</u>
Liabilities and fund balances:		
Liabilities:		
Cash with Negative Balances	\$ -	\$ -
Accounts payable	2,338,874	429,568
Accrued salaries	4,089	4,373
Total Liabilities	<u>2,342,963</u>	<u>433,941</u>
Fund Balances:		
Reserved for:		
Designated	8,828,232	2,400,000
Unreserved:		
Designated for:		
Undistributed reserve	131,944	122,193
Total fund balances	<u>8,960,176</u>	<u>2,522,193</u>
Total liabilities and fund balances	<u>\$ 11,303,139</u>	<u>\$ 2,956,134</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Comparative Balance Sheet
Debt Service Fund
Years Ended June 30, 2006 and 2005

	<u>2006</u> <u>General</u>	<u>2005</u> <u>General</u>
Assets:		
Cash and investments	\$ 1,958,340	\$ 951,730
Property taxes receivable	530,652	438,362
Total assets	<u>\$ 2,488,992</u>	<u>\$ 1,390,092</u>
 Liabilities and fund balances:		
Liabilities:		
Accounts payable	-	6,938
Total Liabilities	<u>-</u>	<u>6,938</u>
 Fund Balances:		
Reserved for:		
Debt service	2,488,992	1,383,154
Unreserved:		
Total fund balances	<u>2,488,992</u>	<u>1,383,154</u>
Total liabilities and fund balances	<u>\$ 2,488,992</u>	<u>\$ 1,390,092</u>

The notes to the financial statements are an integral part of this statement.

IRON COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Non K-12 Programs</u>	<u>School Lunch</u>	
Assets:			
Cash and investments	\$ 255,893	\$ 534,244	\$ 790,137
Inventories		57,961	57,961
Property taxes receivable	33,869		33,869
Receivables-other	445,699	74,231	519,930
Total assets	<u>\$ 735,461</u>	<u>\$ 666,436</u>	<u>\$ 1,401,897</u>
Liabilities:			
Accounts payable	\$ 37,267	\$ 3,600	\$ 40,867
Accrued salaries	88,204	36,586	124,790
Total liabilities	<u>125,471</u>	<u>40,186</u>	<u>165,657</u>
Fund balances:			
Reserved for Inventories	-	57,961	57,961
Designated	230,060	-	230,060
Unreserved, undesignated	379,930	568,289	948,219
Total fund balances	<u>609,990</u>	<u>626,250</u>	<u>1,236,240</u>
Total liabilities and fund balances	<u>\$ 735,461</u>	<u>\$ 666,436</u>	<u>\$ 1,401,897</u>

IRON COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Non K-12 Programs</u>	<u>School Lunch</u>	
Revenues:			
Property taxes	\$ 553,374	\$ -	\$ 553,374
Earnings on investments	2,310		2,310
Other local sources	385,881	792,484	1,178,365
State aid	567,090	279,534	846,624
Federal aid	295,189	1,268,151	1,563,340
Total revenues	<u>1,803,844</u>	<u>2,340,169</u>	<u>4,144,013</u>
Expenditures:			
Instruction	1,420,652		1,420,652
Community Services	401,088		401,088
School Lunch Services		2,232,792	2,232,792
Total expenditures	<u>1,821,740</u>	<u>2,232,792</u>	<u>4,054,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,896)</u>	<u>107,377</u>	<u>89,481</u>
Fund balances - beginning	<u>627,886</u>	<u>518,873</u>	<u>1,146,759</u>
Fund balances - ending	<u>\$ 609,990</u>	<u>\$ 626,250</u>	<u>\$ 1,236,240</u>

IRON COUNTY SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
Student Activities Agency Fund
Year Ended June 30, 2006

	<u>Net Assets at June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Assets at June 30, 2006</u>
Assets:				
Cash and investments	<u>\$ 424,648</u>	<u>\$ 2,681,397</u>	<u>\$ 2,668,686</u>	<u>\$ 437,359</u>
Liabilities:				
Due to student organizations:				
East Elementary	11,878	63,897	60,292	15,483
North Elementary	9,501	66,871	61,273	15,099
South Elementary	4,826	90,069	88,633	6,262
E. Valley Elementary	726	10,632	10,839	519
Enoch Elementary	5,901	76,812	75,256	7,457
Fiddlers Elementary	6,311	80,877	81,265	5,923
Parowan Elementary	10,885	68,201	67,144	11,942
Cross Hollows	29,167	212,290	205,684	35,773
Cedar Middle School	30,892	314,698	307,928	37,662
Cedar High School	172,350	817,900	863,837	126,413
Parowan High School	53,893	290,171	277,859	66,205
CanyonView High School	86,665	576,645	556,175	107,135
SEA	1,655	12,334	12,501	1,488
Total liabilities	<u>\$ 424,648</u>	<u>\$ 2,681,397</u>	<u>\$ 2,668,686</u>	<u>\$ 437,359</u>

SINGLE AUDIT SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Board of Education
Iron County School District
Cedar City, Utah

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iron County School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iron County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Iron County School District in a separate letter dated November 17, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iron County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our

Iron County School District
Page 2

tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the Iron County School District in a separate letter dated November 17, 2006.

This report is intended solely for the information and use of the management of the Iron County School District, and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.


WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
November 14, 2006

Wilson & Company

Certified Public Accountants / A Professional Corporation

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Board of Education
Iron County School District
Cedar City, Utah

Compliance

We have audited the compliance of the Iron County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Iron County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Iron County School District's management. Our responsibility is to express an opinion on the Iron County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Iron County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Iron County School District's compliance with those requirements.

In our opinion, the Iron County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Iron County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Iron County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Iron County School District management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these intended parties.



WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
November 14, 2006

IRON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Iron County School District.
2. No reportable conditions relating to the audit of the financial statements are reported in the Auditor's report on Internal Control and Compliance With Laws and Regulations.
3. No instances of noncompliance material to the financial statements of the Iron County School District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Iron County School District expresses an unqualified opinion.
6. There were no findings relative to the major federal award programs for the Iron County School District.
7. The programs tested as major programs include: National School Lunch programs - CFDA numbers 10.550, 10.555 and 10.553, Title 1 Basic - CFDA number 84.010A, I.D.E.A. P.L. -101-17 - CFDA number 84.027 A, NCLB Teacher Quality - CFDA number 84.367.
8. The threshold for distinguishing Type A programs is the larger of \$300,000 or 3% of all federal awards expended. Type B programs are those which are the larger of \$100,000 or 3% or total federal awards expended.
9. The Iron County School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

IRON COUNTY SCHOOL DISTRICT
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

<u>Federal Assistance Programs</u>	<u>CFDA Number</u>	<u>Grantor Agency</u>	<u>Direct or Indirect</u>	<u>Amount of Expenditures</u>
<u>Agency\Program Grant Title</u>				
<u>Department of Agriculture:</u>				
National School Breakfast Program	10.553	USOE	Indirect	* \$ 932,200
National School lunch Program	10.555	USOE	Indirect	* 211,960
USDA Commodities - Food Donation	10.550	USOE	Indirect	* 123,991
Total Department of Agriculture				<u>1,268,151</u>
<u>Department of Education:</u>				
Adult Education English Language/Civics Grant	84.002	USOE	Indirect	20,670
Adult Education Basic Education Grant	84.002A	USOE	Indirect	45,240
Adult Education Prisons & Institutions	84.002A	USOE	Indirect	15,532
E.S.E.A. Chapter 1 - Basic Grant	84.010A	USOE	Indirect	* 1,335,537
Migrant Education - State Grant Program	84.011A	USOE	Indirect	10,000
No Child Left Behind - Neglected & Delinquent	84.013A	USOE	Indirect	14,245
I.D.E.A., Part B, Special Education Grants to States	84.027A	USOE	Indirect	* 1,356,578
I.D.E.A. Special Education Local Capacity Building and Improvement	84.027A	USOE	Indirect	2,042
Indian Education - Grants to Local Educational Agencies	84.060A	USDept.of Education	Direct	29,848
Carl D. Perkins Vocational and Technical Education	84.048A	USOE	Indirect	137,166
I.D.E.A., Part B, Peschool Special Education	84.173A	USOE	Indirect	57,985
No Child Left Behind - Title IV, Part A, Safe & drug free schools	84.186A	USOE	Indirect	45,630
No Child Left Behind - Homeless	84.196A	USOE	Indirect	9,332
No Child Left Behind - Even Start	84.213C	USOE	Indirect	155,762
Initiative for the Promotion of Active Children (PEP)	84.215F	USOE	Indirect	171,025
Literacy Improvement for Rural Schools	84.215K	USOE	Indirect	46,057
No Child Left Behind - Title V, Part A, Innovation Programs	84.298	USOE	Indirect	26,035
No Child Left Behind - Title II, Part D, Educational Technology	84.318A	USOE	Indirect	29,546
No Child Left Behind - English Language Acquisition	84.365A	USOE	Indirect	41,074
No Child Left Behind - Teacher Quality	84.367	USOE	Indirect	* 374,920
Art for Secondary Teachers	84.367A	USOE	Indirect	1,726
Total Department of Education				<u>3,925,950</u>
<u>Corporation for National and Community Service:</u>				
Learn and Serve America - Community Based Programs	94.004		Direct	7,608
Total Corporation for National and Community Service				<u>7,608</u>
Total Federal Assistance				<u>\$ 5,201,709</u>

* Denotes a Major Program

IRON COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED June 30, 2006

NOTE 1: PURPOSE OF THE SCHEDULE

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Iron County School District. The District reporting entity is defined in Note 1 to the District's government-wide financial statements. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included on the schedule.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's government-wide financial statements.

Noncash Federal Financial Assistance

Noncash federal awards are determined by commodities received during the year, expressed at market value. School districts participating in the USDA Food Distribution Program during the 2005-06 year were sent a monthly report by the state detailing market value of USDA goods received for the month. Noncash federal awards are based on these reports.

CFDA Numbers

OMB Circular A-133 requires the schedule to show the total expenditures for each of the entity's federal financial assistance programs as identified in the Catalog of Federal Domestic assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

SUPPLEMENTAL SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

IRON COUNTY SCHOOL DISTRICT AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS For the Year Ended June 30, 2006

Honorable Board of Education
Iron County School District

We have audited the general purpose financial statements of the Iron County School District, for the year ended June 30, 2006 and have issued our report thereon dated November 14, 2006. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The District received the following major State assistance programs from the State of Utah:

STATE OFFICE OF EDUCATION

Minimum School Program	State Liquor Control Tax-Lunch Programs
Special Education - Add on	Smalls Schools
Special Education - Pre - School	Professional Staff Costs
Applied Technology - Add on	Special Education - Self Contained
Reading Achievement	Youth in Custody
Class Size Reduction K-8	Discretionary Block Grant
Social Security and Retirement	Pupil Transportation
Quality Teaching Block Grant	Administrative Costs
School Land Trust Program	Interventions for Student Success
Capital Outlay Foundation	Concurrent Enrollment

Our audit also included test work on the District's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Liquor Law Enforcement
- Other Compliance Requirements

The management of the Iron County School District, is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about the District's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Iron County School District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.


WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
November 14, 2006



IRON COUNTY SCHOOLS

CREATING A BETTER TOMORROW FOR ALL

2077 W. Royal Hunte Dr. • Cedar City, Utah 84720 • (435) 586-2804 • Fax (435) 586-2815

November 30, 2006

Utah State Auditor
211 State Capitol
Salt Lake City, Utah 84114

RE: Response to Audit Recommendations

We have received the management letter from our independent auditors and are responding to their suggestions as follows:

FIXED ASSET MANAGEMENT SYSTEM

We have implemented a new version of the fixed asset management system provided by the Utah State Office of Education. This works in harmony with the fiscal system we use that is also provided by and supported by USOE. We will sit down with our auditors and make sure we completely understand where they feel the problems are. We will also evaluate the asset program to make sure there are no bugaboos in the software that might be causing issues.

OUTSTANDING CHECKS

The district will properly handle the removal of the old outstanding checks currently listed on the bank reconciliation.

REQUEST FOR FEDERAL FUNDS

The district will take the necessary steps to rearrange assignments within our staff to make sure that prompt requests for reimbursement of federal funds are made in a timely manner.

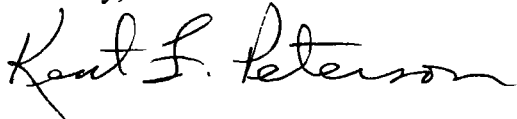
SCHOOL ACTIVITY FUNDS

The district currently asks schools to only invest excess funds in the PTIF. We will work with our Board of Education to put that in formal policy. Schools are already required to submit copies of their financial reports and bank reconciliations monthly and our district staff reviews these.

ACCOUNTING SYSTEM FOR SCHOOL ACTIVITY FUNDS

The district is currently evaluating how best to assimilate the individual schools into our financial statements as a separate activity fund. We basically have three options. One would be to bring them into our current accounting system as a separate fund. The second option would be to purchase commercial software for each school and then accumulate the data for the district financial reports. The final option would be to have the district buy a new accounting software system that would also include the individual schools. We are currently evaluating all options and possibilities looking to have a decision made and something implemented by July 1, 2007.

Sincerely,

A handwritten signature in cursive script that reads "Kent F. Peterson".

Kent F. Peterson
School Business Administrator

Wilson & Company

Certified Public Accountants / A Professional Corporation

November 17, 2006

Honorable Board of Education
Iron County School District
Cedar City, Utah

We have examined the financial statements of the Iron County School District for the year ended June 30, 2006, and have issued our report thereon dated November 14, 2006. As part of our examination, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Iron County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Iron County School District taken as a whole. However, our study and evaluation disclosed the following conditions that we believe require the District's further attention.

Fixed Asset Management System

We noted during our exam that the fixed asset management system's accumulated depreciation calculation did not agree with accumulated depreciation calculated at the end of the prior year.

We suggest that the District operate and maintain the fixed asset management system in a manner that allows for the correct calculation of depreciation and allows for the proper carry forward of prior years depreciation information.

Outstanding Checks

We noted that the District is carrying a small amount of very old outstanding checks on the bank reconciliation.

While small in amount, these checks should be voided and cleared from the bank reconciliation.

Request for Federal Funds

We noted that delays in the requesting of federal funds continue to exist.

This situation must be corrected immediately. Since District funds must be spent before reimbursement, delaying a request for federal funds costs the District money in the form of lost interest.

School Activity Funds

We noted during our exam that no written policies have been established to oversee the accounting procedures for cash receipts and disbursements for each of the school activity funds.

We suggest that policies be established and memorialized in written form that would provide uniform guidelines applicable to each school concerning cash receipts and disbursements. These should include, but are not limited to, mandating restrictive endorsement on all checks immediately upon receipt, and the depositing of all funds on a daily basis similar to the requirements placed upon all other District accounts. The guidelines should establish that the only acceptable form of investment is the use of the Public Treasurer's Investment Pool (PTIF).

We further suggest that the District be the entity to establish these investment accounts at PTIF for each school to insure that they are established in the name of the District and applicable school.

Accounting System For School Activity Funds

We noted that the District will be required by the Utah State Office of Education to establish a system to account for all school activity fund transactions by July 1, 2007.

We suggest that the District begin immediately to establish a system whereby the transactions of each school activity fund may be accounted for currently in the accounting system of the District. While establishing this system, we suggest that the written policies mentioned previously be put into place and that the District consider the possibility of having the school activity funds be "deposit only" funds with all disbursements being controlled by the District. Doing so would reduce considerably the risk of misappropriation at the school level and bring all disbursements under the internal controls already established at the District level.

Iron County School District

November 17, 2006

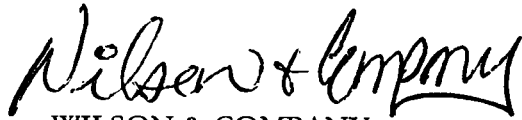
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The previous conditions were considered in determining the nature, timing, and extent of the audit tests applied in our examination of the District's June 30, 2006, financial statements.

Our comments are intended to be constructive in nature. The absence of positive or complementary comments does not imply that the District operates in an inefficient or ineffective manner. We welcome the opportunity to discuss these conditions in further detail and express our appreciation to the staff for their assistance during the examination.

This report is intended solely for the use of management and the Utah State Auditors Office and should not be used for any other purpose.

Sincerely,

A handwritten signature in cursive script that reads "Wilson & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

WILSON & COMPANY

Certified Public Accountants